

Service Date: June 21, 2000

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF The Application of US	)	UTILITY DIVISION
WEST Communications, Inc.'s to Implement Its	)	
IntraLATA Dialing Parity Plan	)	DOCKET NO. D98.4.86
	)	
	)	ORDER NO. 6063d

**FINAL ORDER ON COST RECOVERY**

**INTRODUCTION AND PROCEDURAL BACKGROUND**

1. On April 24, 1998, US West Communications Inc. ("US West") filed its dialing parity plan ("Plan") introducing equal access presubscription associated with the implementation of intraLATA equal access for the State of Montana. On September 28, 1998, the Commission issued Order 6063a rejecting US West's Plan as deficient and ordered US West to submit a revised plan no later than October 15, 1998. US West's revised Plan, filed October 15, included a request to recover costs associated with the implementation of and conversion to intraLATA equal access for the State of Montana.

2. On December 14, 1998, the Commission issued order 6063c approving US West's Plan in its entirety except for the sections containing cost recovery issues. The Commission deferred action on US West's recovery request pending further examination of recovery costs and the mechanism to be implemented for recovery.

3. On February 9, 1999, the Commission approved, on an interim basis, US West's Access Service Tariff pages implementing the switched access rate element called the Equal Access and Network Reconfiguration Recovery Charge or EANRC. The

EANRC was approved at \$0.000995 per originating intraLATA minute of use subject to further Commission examination.

4. On April 9, 1999, the Commission issued a Notice of Opportunity for Hearing requesting comments on US West's EANRC. One week later, AT&T of the Mountain States, Inc., ("AT&T") filed a timely request for a formal contested case hearing on this matter, which the Commission granted.

5. Subsequent to AT&T's request for a formal hearing, AT&T and US West, collectively referred to as the "Parties", engaged in negotiations in an attempt to resolve their differences regarding the proper calculation and implementation of the EANRC.

6. On May 19, 2000, AT&T and US West filed a joint Stipulation and Settlement Agreement ("Agreement") resolving all issues relevant to US West's EANRC for Commission approval.

### **DISCUSSION**

7. ARM 38.5.4120(2)(c) requires US West, as part of its implementation plan, to provide the Commission with a description of its implementation costs, the vehicle used to recover the costs and the timeframe for recovery. Further, ARM 38.5.4115 requires the implementing ILEC to file periodic "true-ups" of its implementation charge with actual minutes of use and costs and submit the revised rate for commission approval.

8. ARM 38.5.4115(1) allows the implementing ILEC to "recover through its switched access rates the additional costs it incurs to provide intraLATA equal access presubscription. Such charge shall be calculated on an annual basis by dividing the intraLATA equal access presubscription costs incurred by the local exchange carrier by

the projected annual total of all switched intraLATA originating minutes of use (including the local exchange carrier's) to arrive at a per minute of use rate.”

9. The Agreement filed by US West and AT&T resolves all the outstanding cost recovery issues regarding the implementation and conversion to intraLATA equal access in Montana. As filed, the Agreement also incorporates the true-up adjustment to the EANRC as required by ARM 38.5.4115(4).

10. The parties agree that the EANRC charge shall be set at the interim rate of \$0.000995 per originating intraLATA minute of use for the first year of the tariff. The parties further agree that US West will recover the EANRC over a three-year period expiring on February 8, 2002. The first year recovery will also be recalculated during the true up period using the agreed upon cost adjustments detailed below. Appropriate adjustments to the final true up will be made on a prospective basis to recover the total adjusted costs over the three-year period.

11. The Parties further agree the EANRC charge will be trued up per actual incurred costs and actual originating intraLATA minutes of use on an annual basis on June 1, 2000 and May 1, 2001. US West filed an adjusted cost study on May 19, 2000 and, as required by ARM 38.5.4115(4), will file another on May 1, 2001. The true ups reflect the adjustments to set the appropriate EANRC rate.

12. The Parties agree to make the following adjustments to the US West EANRC cost study for the purposes of the true up:

1. Calculations will be based on a 9.66% cost of money (post tax equity/pre-tax equity). The equivalent pre-tax equity/pre-tax debt cost of money is 13.81% and the equivalent post-tax equity/post-tax debt cost of money is 8.53%.

2. The Parties agree to remove the common costs from the EANRC.
3. The Parties agree to remove fifty percent (50%) of the directly attributable costs from the EANRC.

13. US West's initial forecasted minute of use calculations used to estimate the EANRC for the first year overestimated the actual amount of minutes for the time period. Overestimating the minutes of use resulted in US West under-recovering its incurred costs during this time period. This, coupled with the allowable cost adjustments agreed to by the Parties, results in US West's initial EANRC needing to be increased from the interim rate of \$0.000995.

14. The net result of the Agreement reached by the Parties and the true-up is a ninety percent (90%) increase in the recovery amount for the remaining 19 months of the EANRC. The rate is impacted not only by the lower minutes of use (MOU) forecast, but the fact that the initial forecasted minutes of use resulted in US West under-recovering while the interim rate of \$.000995 was in effect. The new EANRC is set equal to \$0.002888 per originating intraLATA minute of use, which is subject to another true-up on May 1, 2001.

### **CONCLUSIONS OF LAW**

1. The Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA. US WEST Communications, Inc., is a public utility offering regulated telecommunications services in the State of Montana. Section 69-3-101, MCA.

2. The Commission has authority to do all things necessary and convenient in the exercise of the powers granted to it by the Montana Legislature and to regulate the

mode and manner of all investigations and hearings of public utilities and other parties before it. Section 69-3-103, MCA.

3. The Montana Public Service Commission is the state agency charged with regulating telecommunications carriers in Montana and properly exercises jurisdiction in this Docket pursuant to Title 69, Chapter 3, MCA.

4. Adequate public notice and an opportunity to be heard has been provided to all interested parties in this Docket, as required by the Montana Administrative Procedure Act, Title 2, Chapter 4, MCA.

### **ORDER**

THEREFORE, based on the foregoing, IT IS ORDERED that US West's Equal Access and Network Reconfiguration Recovery Charge rate of \$0.002888 per originating intraLATA minute of use is approved as discussed herein. The EARNC is subject to another true up on May 1, 2001 as prescribed by ARM 38.5.4115(4). US West is therefore required to file its true-up for the second year of the EARNC no later than April 15, 2001.

DONE AND DATED this 13th day of June, 2000, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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DAVE FISHER, Chairman

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NANCY MCCAFFREE, Vice Chair

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GARY FELAND, Commissioner

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BOB ANDERSON, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.